

As you move forward with proposed rules for biomass facilities, it is clear that DOER wants to incent the use of combined heat & power (CHP) projects. Without taking a position on this approach, I would note that there are limited opportunities in New England to install commercial scale CHP projects. Given that, it is critical that DOER design a system that helps make CHP financially attractive.

One of the core reasons that CHP projects have not been an area of significant development is due to the fact that an outside developer pursuing a CHP project must rely upon the long-term viability of another party (e.g., a paper mill, a brewery, a college, etc.) as a steam and heat host. This barrier was recently noted by a panel reviewing biomass opportunities at the national level:

“Combined Heat & Power (CHP) is one of the higher efficiency/proven systems but only attractive in large scale applications such as prisons, schools, office complexes because the investment depends on predictable use and sustainability. Investors rarely view CHP in private sector applications as attractive due to inability to guarantee the underlying customer’s (energy consumer) long-term viability.” *

Given this, DOER rules should seek to support CHP economic viability, not exacerbate this problem. One way that DOER can do this is to “hold harmless” developers of projects designed and deployed as CHP project in the event the host goes out of business. For example, if a developer builds and deploys an efficient CHP project at a manufacturing facility, and the manufacturing facility goes out of business (despite the lower energy costs associated with a biomass CHP project), that project should remain a REC-eligible project for the electric output that was possible when it was a CHP project. This would help developers of such projects secure necessary financing, and move such projects from the drawing board to production. Failure to recognize and address this issue will frustrate DOER’s efforts to encourage efficient biomass CHP projects.

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* Harper, Carla. *WOODY BIOMASS: Report from a Session to Consider Near-term Investment Opportunities*. Summary Outcomes from a Gathering Hosted by the USDA Forest Service and the U.S. Endowment for Forestry and Communities. February 18, 2010.

